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REPORT TO THE CONGRESS

BY THE COMPTROLLER GENERAL OF THE UNITED STATES

The Federal Deposit Insurance Corporation's Financial Disclosure Regulations Should Be Improved

The close relationship between the Federal Deposit Insurance Corporation and the banking industry requires the Corporation to have an effective financial disclosure system for its employees. The Corporation has established several disclosure systems to prevent and detect employee conflicts of interest. What should be done?

--Administration of these systems should be coordinated in one office.

--Other Corporation employees should be required to file disclosure statements.

--Other actions should be taken to improve the system.

FPCD-77-49

JUNE 1, 1977

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-118535
B-103987

To the President of the Senate and the
Speaker of the House of Representatives

Executive Order 11222 prescribes standards of ethical conduct for Government officials and directs the Civil Service Commission to establish guidelines for agency financial disclosure systems. This report discusses the Federal Deposit Insurance Corporation's financial disclosure system.

We made this review pursuant to requests from Benjamin S. Rosenthal, Chairman, Subcommittee on Commerce, Consumer, and Monetary Affairs of the House Committee on Government Operations, and from Representative John E. Moss.

As requested, we did not obtain formal agency comments. Instead we discussed the report with agency officials responsible for the system. Their comments are included in the report.

Copies of this report are being sent to the Chairman, Federal Deposit Insurance Corporation, and Members of Congress.

Elmer B. Staats
Comptroller General
of the United States

COMPTROLLER GENERAL'S REPORT TO THE CONGRESS

THE FEDERAL DEPOSIT INSURANCE CORPORATION'S EMPLOYEE FINANCIAL DISCLOSURE REGULATIONS SHOULD BE IMPROVED

D I G E S T

The Federal Deposit Insurance Corporation insures depositors' accounts in member State and national banks of the Federal Reserve System. It supervises over 8,000 other State banks. To maintain public confidence in its operations, the Corporation's employees should adhere to the highest ethical standards.

GAO recommends that the Chairman of the Corporation improve the effectiveness of the financial disclosure systems by:

--Coordinating administration of the three financial disclosure reporting systems in the office of the ethics counselor--who is the Assistant to the Chairman of the Board of Directors.

--Requiring employees in bank examiner positions (GS-11 and above) to file annual financial disclosure statements.

--Developing specific criteria for determining which other employees should file statements and applying these criteria to all positions.

--Developing specific regulations for restricting loans from State banks which the Corporation examines, and affiliates of those banks, for employees in policy and decisionmaking positions, especially positions other than examiners involved in the bank examination and supervision process.

--Seeking Civil Service Commission approval to revise the Corporation's annual financial disclosure form to include additional data on employee loans, bank credit cards, and other bank related financial interests.

--Developing procedures to collect financial disclosure statements from employees entering positions which require them.

--Reviewing questionable interests identified in this report to determine whether action is necessary to prevent possible conflict of interest. (See pp. 14 and 15.)

The Corporation required 89 of its 3,400 employees to file annual disclosure statements with the Corporation's ethics counselor. However, the Corporation has not developed specific criteria stating which employees should be required to file. Over 1,000 other employees in the Corporation's Bank Supervision, Legal, and Liquidation Divisions have responsibilities affecting the banking industry. These people should be required to file statements. (See p. 5.)

The Corporation's criteria for determining conflicts of interest need to be expanded. The law prohibits bank examiners and assistant bank examiners from accepting loans or gratuities from banks they examine. Corporation policy states that examiners may not have loans with State banks, or their affiliates, which the Corporation regularly examines. (See p. 7.)

A review of 86 financial disclosure statements filed in 1976 showed that 7 Corporation officials who were not bank examiners or assistant bank examiners had interests, mainly loans, of the type prohibited for examiners. However, these seven officials have duties which greatly affect the banking industry. (See p. 12.)

The Corporation's financial disclosure form should be revised to disclose data needed to enforce statutory and agency prohibitions. More information is needed concerning mortgage and other loans, bank credit cards, and bank-related interests, such as debentures, notes, and other capital items. Procedures for collecting and reviewing statements also need improvement. (See p. 7.)

Besides the annual financial disclosure statement filed by certain employees, the Corporation requires bank examiners and assistant bank examiners to report certain loans to regional offices where they work. Employee ownership of stock in any Corporation-insured banks must be reported directly to the Board of Directors. To strengthen administration of the disclosure systems, provide uniform guidance to employees and consistency in the review and judgments made concerning employee interests, all Corporation reporting requirements should be coordinated in the office of the ethics counsel. (See p. 10.)

GAO discussed the report with the Assistant to the Chairman of the Corporation's Board of Directors and with the Assistant to the Director, who have responsibility for the disclosure system. They agreed with GAO recommendations, except that they believe requiring bank examiners to file annual disclosure statements would create an unnecessary volume of paperwork and that current statutory prohibitions and Corporation regulations are strong enough to deter any possible conflicts of interest.

GAO believes the responsibilities of the bank examiner positions are sensitive, and their actions or lack of action could have an economic impact on the banking industry. The examiners or members of their family could have interests which would affect their duties, and their financial interests should annually be disclosed to and reviewed by the Corporation. (See pp. 15 and 16.)

BLANK

Contents

ABBREVIATIONS

CSC	Civil Service Commission
FDIC	Federal Deposit Insurance Corporation
GAO	General Accounting Office

CHAPTER 1

INTRODUCTION

The Federal Deposit Insurance Corporation (FDIC) was created by section 1213 of the Banking Act of 1933 as amended in 1950 and renamed the Federal Deposit Insurance Act (12 U.S.C. 1811). FDIC was established to promote and preserve public confidence in banks and to protect the money supply through provision of insurance coverage for bank deposits. The agency is responsible, with the Federal Reserve System and the Office of the Comptroller of the Currency, for Federal bank supervision and regulation.

FDIC is administered by a three-member Board of Directors appointed by the President, consisting of a Chairman, the incumbent Comptroller of the Currency, and another Director. Among its functions and powers, FDIC

--insures bank accounts of individual and business depositors up to $40,000 and local, State, and Federal Government accounts up to $100,000 in all insured banks;

--acts as receiver for all national banks which fail and for State banks which fail when State authorities appoint the Corporation to this role; and

--examines the operations of State-chartered banks which are not members of the Federal Reserve System and issues cease-and-desist orders to such banks which engage in unsound practices, suspends or removes bank personnel responsible for such conditions, and terminates the insured status of banks which persist in unsound practices.

FDIC does not operate on congressionally appropriated funds. Its income comes from assessments on deposits held by insured banks and from interest on required investments of its surplus funds in Government securities.

FDIC bank examiners are located in 14 regional offices throughout the country. The agency periodically examines each FDIC-insured bank not belonging to the Federal Reserve System and assesses the risk of insuring its deposits. Because FDIC employees are continuously involved with officials of more than 8,000 State banks, it is essential that the agency maintain the highest ethical standards.

SCOPE OF REVIEW

Our review was conducted at FDIC headquarters, Washington, D.C., pursuant to requests from the Chairman, Subcommittee on Commerce, Consumer, and Monetary Affairs, House Committee on Government Operations, and from Representative John E. Moss. We were asked to determine whether

--all required financial disclosure statements were promptly and properly filed,

--financial disclosure statements were adequately reviewed, and

--persons in positions not currently filing financial disclosure statements should be required to file.

Our review was limited to the financial disclosure reporting system for full-time employees.

We reviewed all financial interests reported by 86 FDIC employees on statements filed as of September 1976. We also reviewed statements of FDIC's Board of Directors filed directly with the Civil Service Commission (CSC). We did not contact any employees concerning their financial holdings or their actual responsibilities. The confidentiality of these statements was always maintained. Our working papers do not contain employee names, but do show codes which are traceable to those names. Lists of employees and our code were returned to FDIC at the completion of our audit.

We also reviewed 77 position descriptions for professional level employees from FDIC's Legal, Bank Supervision, and Bank Liquidation Divisions, whose incumbents presently do not file disclosure statements, to determine if they should be filing.

This is the second in a series of three reports on the financial disclosure systems of the Federal banking regulatory agencies. Our first report, concerning the Office of the Comptroller of the Currency, was issued March 23, 1977. We are also reviewing and will prepare a report on the financial disclosure system of the Board of Governors of the Federal Reserve System.

CHAPTER 2

FINANCIAL DISCLOSURE REQUIREMENTS AND AGENCY PROHIBITIONS

Executive Order 11222, dated May 8, 1965, prescribed standards of ethical conduct for Government officers and employees. CSC was directed by the order to establish regulations. In November 1965, the Commission issued instructions requiring each agency to prepare employee conduct standards and establish a system for reviewing employee financial disclosure statements. Standards of conduct regulations established by each agency must be approved by the Commission.

The Commission requires each top agency official to obtain statements of outside employment and financial interests from:

--Employees paid at the Executive Schedule level in Subchapter II of chapter 53 of title 5, United States Code.

--Employees classified at GS-13 or above, who are in decisionmaking positions or have duties which could involve conflict-of-interest situations. Included are positions involving decisions or actions which have an economic impact on any non-Federal enterprise.

--Employees classified below GS-13 in positions meeting the above criteria. An agency must obtain CSC approval to require such employees to file.

Interests of a spouse, minor child, or other member (blood relation) of an employee's immediate household are considered to be those of the employee.

FDIC regulations governing employee responsibilities and conduct (12 CFR 336, April 14, 1966) established the agency's financial disclosure system and specified which personnel should file annual statements. The Assistant to the Chairman of the Board of Directors was designated ethics counselor for guidance regarding statutes and regulations affecting employee responsibility and conduct. The ethics counselor is also responsible for collecting and reviewing annual disclosure statements and for resolving any conflict or appearance of conflict of interest. Remedial action for a conflict of interest may include, but is not limited to, divestment of the interest, changes in the employee's assigned duties, disqualification from a particular assignment, or disciplinary action. If a conflict cannot be resolved by the ethics counselor, the matter is referred to the Chairman of the Board of Directors.

PROHIBITIONS AFFECTING FDIC EMPLOYEES

It is unlawful for an officer, director, or employee of any member bank of the Federal Reserve System, or one that has deposits insured by FDIC, to make a loan to any Government examiner "who examines or has authority to examine such a bank" (18 U.S.C 212). A bank examiner or assistant bank examiner is prohibited by 18 U.S.C. 213 from accepting a loan or gratuity from any bank, corporation, association, or organization examined by him or from any person connected therewith. A 1973 FDIC policy statement states that examiners and assistant examiners may have loans with national banks and State banks belonging to the Federal Reserve System, but not with State banks which the agency regularly examines. Prior to 1973, FDIC examiners could not borrow from any FDIC-insured bank.

New examiners must report loan holdings when they are hired. After they have started work, examiners may not borrow from State banks examined by FDIC or affiliates of those banks, and must report all loans they obtain later from State member or national banks.

Members of FDIC's Board of Directors may not own stock in any insured bank (12 U.S.C. 1812). In addition, agency regulations state that no employee may directly or indirectly own or control stock in an insured bank without written disclosure of interest to the Board of Directors and obtaining their approval. The regulations allow employees to keep indirect interest in insured banks through ownership of shares in widely held mutual funds which do not specialize in any particular industry.

CHAPTER 3

IMPROVED POLICIES AND PROCEDURES ARE NEEDED

FDIC's financial disclosure regulations generally followed Civil Service Commission regulations. However, the system's policies and procedures could be improved by

--including specific criteria for identifying positions whose incumbents should file financial disclosure statements,

--improving guidelines for determining conflicts of interest,

--obtaining more financial information on the disclosure form to enforce statutory prohibitions and agency regulations, and

--improving procedures for collecting and reviewing statements.

MORE EMPLOYEES SHOULD FILE THAN CURRENTLY REQUIRED

FDIC regulations generally provide that employees classified at GS-13 and above be required to file financial disclosure statements if they are responsible for taking action regarding

--contracting or procurement,

--administering or monitoring grants or subsidies,

--regulating or auditing private or other non-Federal enterprise, or

--other activities where the decision or action has an economic impact on the interests of non-Federal enterprise.

The disclosure requirements basically restate CSC guidelines and FDIC has not added to them or specifically tailored them to their regulatory responsibilities. The regulations require only Division or office heads and their assistants; Board of Directors' advisers or assistants; and regional office directors, assistant directors and counsels to file a financial disclosure statement and update it annually as of June 30.

Currently FDIC requires 89 of its 3,400 employees to file annual financial disclosure statements. To determine the adequacy of FDIC's criteria for identifying who should file financial disclosure statements, we reviewed position descriptions of 77 professional level jobs, both above and below GS-13, which currently do not require statements. These positions were in FDIC's Bank Supervision, Legal, and Bank Liquidation Divisions and account for about 2,000 of the agency's employees.

We believe 1,050 incumbents in 37 of these 77 positions should be filing financial disclosure statements. Additional employees include 961 field bank examiners, 46 headquarters and field review bank examiners and other bank supervision employees, 26 headquarters and field bank liquidators and 17 headquarters' attorneys. Except for the field bank examiners at grades GS-11 and GS-12, all the positions were GS-13 and above.

Field bank examiners at the GS-12 level and above supervise bank examinations, while GS-11 examiners may be examiners-in-charge or may assist higher level examiners when working at large banks.

Review examiners in the field and at the headquarters offices are also directly involved in bank supervision. These employees review and evaluate examination reports and may prepare memoranda recommending FDIC action on applications for deposit insurance, merger proposals, or other situations which require the agency's consent. In the field they also negotiate with officials of banks, State authorities, and others regarding various bank problems. Attorneys in FDIC's Legal Division also have responsibilities related to supervising insured banks.

Headquarters and field liquidators and some attorneys control and dispose of bank assets which FDIC acquires in its role as receiver of closed banks or through assistance agreements with financially troubled banks. FDIC also employs persons in unclassified positions to liquidate the assets of closed banks. Since some of these individuals earn pay comparable to GS-13 and may have similar job responsibilities, they should also be filing disclosure statements.

Because of FDIC's bank supervision and insurance responsibilities, many employees may be in positions which may present a conflict of interest. These employees may have limited supervision and wide latitude for independent judgment and decisionmaking in performing their duties.

FDIC should develop criteria for all positions to assure disclosure statements are required from all employees who influence FDIC policy or bank supervisory decisions or who maintain and dispose of assets belonging to the agency. The criteria FDIC develops should apply to all positions, regardless of grade level.

GUIDELINES FOR DETERMINING CONFLICTS OF INTEREST

Consistent with Executive Order 11222, FDIC regulations provide that employees may not have direct or indirect financial interests that conflict substantially, or appear to conflict substantially, with their duties and responsibilities. Although employees have received some guidance on allowable financial interests, we believe FDIC should further supplement these regulations.

FDIC has not defined potential conflicts which may exist when employees, other than examiners, accept loans from banks FDIC regularly examines, nor has it developed criteria concerning the ownership of bank-related financial interests. Also, guidelines concerning the acquisition of bank stocks have not been written for employees.

Expanding loan restrictions

The restriction on loans from State banks which FDIC examines, or affiliates of those banks, applies only to examiners although other personnel have duties and responsibilities which influence FDIC policy and bank supervision functions. For example, regional counsels advise on legal matters concerning examinations and attend meetings with bank officials but may accept loans from FDIC-supervised banks. Likewise, members of the Board of Directors, their assistants, and headquarters attorneys may borrow from State banks or their affiliates which FDIC examines despite their policy-setting or regulatory responsibilities.

The FDIC interpretation is consistent with 18 U.S.C. 212 and 213, which prohibits loans to examiners. However, we believe FDIC should regulate loans from State banks which it examines, and affiliates of those banks, for other employees whose duties may involve conflict of interest. For example the Office of the Comptroller of the Currency extended the provisions of 18 U.S.C. 212 and 213 to include all personnel involved in decisionmaking or policy-setting.

FDIC's disclosure form does not require employees to list mortgage loans on personal residences, loans for household or living expenses, or bank credit card use. We believe such information is needed to enforce statutory prohibitions and further protect against possible conflict of interest. Since including these items would increase disclosure requirements, CSC must approve any changes in the form.

Bank-related interests

FDIC regulations require employees to report stock holdings in an FDIC-insured bank to the agency's Board of Directors. However, the regulations do not require disclosure of bank debentures, notes, and other capital items in such banks or bank holding companies. Such interests may also present potential conflict of interest problems.

FDIC's regulations should provide criteria for ownership of all bank-related financial interests and should require these interests to be reported, at a minimum, by employees required to file annual financial disclosure statements.

In addition, an agency official said employees could retain inherited stock or stock held before their employment but may not purchase bank stock while employed at FDIC. Agency regulations, however, contain no restriction on how to acquire bank stock. FDIC should clarify its regulations so that employees are aware of the policy on acquiring bank stock.

PROCEDURES FOR COLLECTING AND REVIEWING STATEMENTS

FDIC collection of 1976 annual disclosure statements was generally timely, but five of the nine individuals required to file initially in 1976 failed to do so until they had served in their positions between 2 and 5 months. FDIC regulations require newly appointed employees in positions requiring disclosure statements to file them no later than 30 days after entering on duty.

A staff member responsible for administering FDIC's financial disclosure system said the ethics counselor is sometimes not told when persons are appointed to positions requiring disclosure statements. As a result, some individuals holding conflicting interests may not file a statement until the next requested annual update from all eligible persons.

The FDIC ethics counselor questioned several items on employees' 1976 disclosure statements but did not follow up on other items although insufficient information had been provided. In several cases the person filing provided incomplete names of holdings, and in other cases did not identify the business activities of small, local companies listed as financial interests. Also, two persons reported owning or controlling trust funds but did not identify the contents of the funds. At our request, the ethics counselor obtained more information about some of these holdings and determined that none constituted conflicting interests.

The statement reviewer should also have questioned any indirect relationships employees may have had with banks because of holdings in which they had a controlling or substantial interest. For example, small companies listed as financial interests or the farmland interests reported by seven employees may have had loans from State banks examined by FDIC or affiliates of those banks which might have appeared as a conflict of interest. By obtaining complete information on reported holdings, FDIC could assure a more thorough annual financial disclosure review.

CHAPTER 4

FINANCIAL DISCLOSURE REPORTING REQUIREMENTS

SHOULD BE COORDINATED IN ONE OFFICE

FDIC has established three separate financial disclosure reporting systems for its employees. Bank examiners and assistant bank examiners must report certain loans to the regional office in which they are employed. Employee ownership of stock in FDIC-insured banks must be reported directly to the Board of Directors. The annual financial disclosure statements required of certain employees by Executive Order 11222 are filed with the ethics counselor, the Assistant to the Chairman of the Board of Directors.

REPORTING BANK LOANS

FDIC bank examiners and assistant bank examiners may not borrow from State banks examined by FDIC, or affiliates of those banks. They may accept loans from State banks not examined by FDIC, national banks, or district banks provided the bank is not affiliated with an insured bank which is subject to FDIC examination. However, such loans must be reported to the regional office in which the examiner is employed. New examiners must report any loans they hold at the time they are hired.

Since 1970, 181 employees from three FDIC regional offices reported 280 loans. Nearly all the loans were reported by newly hired examiners who had acquired them prior to working for FDIC. Eighty-one of the loans reported by new employees were with State banks examined by FDIC, but none of the loans reported after the hirings were with these banks. Generally, examiners are restricted from examining a bank to which they were indebted and were given the option of repaying the loans according to the existing payment schedule or refinancing them at banks not subject to FDIC examination.

REPORTING STOCK INTERESTS IN FDIC-INSURED BANKS

FDIC employees may not own, directly or indirectly, or control the ownership of stock in an FDIC-insured bank without full written disclosure to the Board of Directors and their approval. The regulations allow employees indirect interest in insured banks through ownership of shares in widely held mutual funds which are not specialized in any particular industry.

Since 1970, 56 FDIC employees reported owning stock in 69 banks or bank holding companies. Nearly all of the employees were allowed to keep their stock and were told that they would not be involved in any examination or decision concerning banks in which they had an interest. The remaining employees disposed of the reported stock.

Fifty-two of the 56 persons reporting ownership in banks or bank holding companies were employees in FDIC's Bank Supervision Division. At least half the 56 employees were GS-9 or below at the time they reported the stock. Only two persons were in positions requiring financial disclosure statements in 1976. Both individuals disposed of their stock after reporting it to the Board of Directors. Although approximately half the stock was in State banks examined by FDIC, few persons held large percentages of a particular bank's stock. In one instance, however, an examiner owned 13 percent of the stock for a bank regularly examined by FDIC. The bank, however, was located outside the region in which the examiner was employed.

CONCLUSIONS

To strengthen administration of the various disclosure systems and to provide uniform guidance to employees, the reporting requirements for all employees should be coordinated in the office of the ethics counselor. This action would maintain consistency in the review and in judgments made and actions taken on employee financial interests. One office would be aware of all loans, stock interests, and other financial interests employees must report. This could also lessen difficulties employees may have when promoted from a position requiring reports only on loans or stocks to one requiring an annual disclosure statement under Executive Order 11222.

CHAPTER 5

REVIEW OF EMPLOYEES' FINANCIAL DISCLOSURE STATEMENTS

In 1976 FDIC required 89 of its 3,400 employees to file annual financial disclosure statements. We reviewed only 86 employee statements since 3 were filed after the close of our review. We also reviewed disclosure statements of the three members of the agency's Board of Directors which were filed with the Civil Service Commission.

Our review of these statements disclosed that seven FDIC officials had reported financial interests which may be questionable in light of their duties.

--Two regional office counsels had loans with State banks which are examined by FDIC in their regions, and one also had a loan from a national bank affiliated with an FDIC-examined bank in his region. One was a business loan to a company in which the regional counsel was both stockholder and president. Regional counsels assist field examiners in interpreting laws, rules, and regulations and may also attend meetings with bank personnel.

--Three headquarters attorneys who advise on legal matters pertaining to bank examinations and supervision had four loans--two with State banks examined by FDIC, and two with affiliates of FDIC-examined banks.

--One headquarters' attorney, who advises on legal matters concerning bank examinations and supervision and on applications for deposit insurance, owned debentures in a bank-holding company which controlled 11 FDIC-examined banks.

--A member of the Board of Directors had a loan with a national bank affiliated with a State bank examined by FDIC.

None of these financial interests appeared to violate any statutory prohibitions. Current restrictions on bank loans to FDIC employees apply only to bank examiner and assistant examiner positions, who are prohibited from borrowing from State banks examined by FDIC, and their affiliates. However, as discussed in chapter 3, we believe FDIC should develop specific policies concerning loans from State banks which it examines, and their affiliates, for other employees who have duties which could place them in conflict of interest situations.

FDIC will review the specific cases we have questioned and take any action necessary to prevent potential conflicts of interest. Concerning the bank loan of the member of the Board of Directors, FDIC stated that the member was a former president of the bank, and that in the past he had disqualified himself from acting on an FDIC matter concerning the bank and would continue to do so.

CHAPTER 6

CONCLUSIONS, RECOMMENDATIONS, AND AGENCY COMMENTS

As a supervisor of over 8,000 banks, FDIC must insure that its employees maintain the highest ethical standards. This requires an effective financial disclosure system which readily identifies and resolves employee conflicts of interest. While FDIC has taken many steps in developing its financial disclosure system, certain actions should be taken to make it more sensitive to the agency's mission.

Many FDIC employees such as bank examiners, review examiners, attorneys, liquidators, and others are in vital positions which affect the banking industry, but they are not required to file annual financial disclosure statements. Many of these employees have duties which are as sensitive as those of bank examiners but are not subject to the strict regulations concerning loans from FDIC-examined banks.

The annual financial disclosure statement filed by FDIC employees is insufficient to guard adequately against potential conflicts of interest. More data concerning loans, other bank-related interests, and employee credit cards is needed. FDIC also should improve its procedures for collecting statements from employees who are required to file for the first time and for reviewing these statements.

Besides the annual financial disclosure statements which certain agency employees must file with the ethics counsel, FDIC regulations direct bank examiners and assistant bank examiners to report certain loan transactions to their regional office. All employees must report stock interest in FDIC-insured banks to the agency's Board of Directors. If these reporting systems are to be consistent and supplement each other, they should be coordinated in the office of the ethics counsel.

RECOMMENDATIONS

To improve the financial disclosure systems, we recommend that the Chairman, FDIC:

--Coordinate administration of the three financial disclosure reporting systems in the office of the ethics counselor who is the Assistant to the Chairman of the Board of Directors.

--Require employees in bank examiner positions (GS-11 and above) to file annual financial disclosure statements.

--Develop specific criteria for determining which other employees should file statements and apply these criteria to all positions.

--Develop specific regulations for restricting loans from State banks which FDIC examines, and affiliates of those banks, for employees in policy and decisionmaking positions, especially positions other than examiner involved in the bank examination and supervision.

--Seek CSC approval to revise FDIC's annual financial disclosure form to include additional data on employee loans, bank credit cards, and other bank related financial interests.

--Develop procedures to collect financial disclosure statements from employees entering positions which require them.

--Review questionable interests identified in this report to determine whether action is necessary to prevent possible conflict of interest.

AGENCY COMMENTS

We discussed our findings and recommendations with the Assistant to the Chairman, FDIC Board of Directors, and the Assistant to the Director, who are responsible for the financial disclosure system. They concurred with our findings, except that they do not believe employees in bank examiner positions should file annual financial disclosure statements.

FDIC will carefully review the specific questionable interests we identified to determine whether action must be taken on individual interests. FDIC will also consider developing policies on loan restrictions for employees other than bank examiners. FDIC officials are also very concerned that more data should be disclosed on the financial disclosure form and will revise it to collect such data necessary to enforce agency regulations.

FDIC agrees with our recommendation to develop specific criteria for determining which other employees should file statements. They also intend to require disclosure statements from many other employees, including liquidators and attorneys. However, FDIC does not believe employees in bank examiner positions (GS-11 and above) should file annual disclosures of interests. They feel public interests are protected by 18 U.S.C. 212 and 213 and FDIC's regulations concerning ownership of stock in an FDIC-insured bank. They said that rarely is a GS-11 examiner in charge of a bank examination. FDIC believes that the paperwork volume resulting from requiring all bank examiners to file will be disproportionate to any conflict of interest which may occur.

We believe that bank examiner responsibilities at all grade levels are sensitive, and their actions or inaction could have an economic impact on the banking industry. Under FDIC's regulations, these positions may have duties which would require them to file statements, but many of these positions are below GS-13. While the statutory prohibitions of 18 U.S.C. 212 and 213 and FDIC's regulations concerning ownership of stock in an FDIC-insured bank are strong, we believe that other interests such as property, ownership of small businesses, and other employment by the employee, his spouse, or other members of the employee's immediate household may conflict, or appear to conflict, with his duties. We believe these types of financial interests should be disclosed annually to the agency for its review.

Requiring statements from hundreds of bank examiners may create more work in obtaining and reviewing statements, but the system could be decentralized, with the bank examiner's regional office performing the first review of the statement. Filing dates might also be staggered so that all statements would not be filed during the same time period.

FDIC officials have agreed to develop procedures to collect financial disclosure statements from employees entering positions which require such statements. They also agreed to coordinate the reporting requirements of the various disclosure systems in one office to control and administer these systems more effectively.

REPORTS ISSUED ON AGENCIES'

FINANCIAL DISCLOSURE SYSTEMS

Agency	Report title, number, and issue date
Federal Power Commission	Need for Improving the Regulation of the Natural Gas Industry and Management of Internal Operations, B-180228, 9/13/74.
U.S. Geological Survey	Effectiveness of the Financial Disclosure System for Employees of the U.S. Geological Survey, FPCD-75-131, 3/3/75.
Civil Aeronautics Board	Effectiveness of the Financial Disclosure System for Civil Aeronautics Board Employees Needs Improvements, FPCD-76-6, 9/16/75.
Federal Maritime Commission	Improvements Needed in the Federal Maritime Commission's Financial Disclosure System for Employees, FPCD-76-16, 10/22/75.
U.S. Railway Association	Improvements Needed in Procurement and Financial Disclosure Activities of the U.S. Railway Association, RED-76-41, 11/5/75.
Department of the Interior	Department of the Interior Improves Its Financial Disclosure System for Employees, FPCD-75-167, 12/2/75.
Food and Drug Administration	Financial Disclosure System for Employees of the Food and Drug Administration Needs Tightening, FPCD-76-21, 1/19/76.
U.S. Geological Survey	Letter report to Congressman John Moss on U.S. Geological Survey Employees' Divestiture, FPCD-76-37, 2/2/76.

Agency	Report title, number, and issue date
Inter-American Foundation	Inter-American Foundation's Financial Disclosure System for Employees and Its Procurement Practices, ID-76-69, 6/30/76.
Federal Aviation Administration	Problems With the Financial Disclosure System, Federal Aviation Administration, FPCD-76-50, 8/4/76.
Department of Commerce	Problems Found in the Financial Disclosure System for Department of Commerce Employees, FPCD-76-55, 8/10/76.
Small Business Administration	Management Control Functions of the Small Business Administration--Improvements Are Needed, GGD-76-74, 8/23/76.
Export-Import Bank	Export-Import Bank's Financial Disclosure System for Employees and Its Procurement Practice, ID-76-81, 10/4/76.
Federal Communications Commission	Actions Needed To Improve the Federal Communications Commission Financial Disclosure System, FPCD-76-51, 12/21/76.
Tennessee Valley Authority	Tennessee Valley Authority: Information on Certain Contracting and Personnel Management Activities, CED-77-4, 12/29/76.
Food and Drug Administration	The Food and Drug Administration's Financial Disclosure System for Special Government Employees: Progress and Problems, FPCD-76-99, 1/24/77.
Energy Research and Development Administration	An Improved Financial Disclosure System, FPCD-77-14, 1/26/77.

Agency	Report title, number, and issue date
Department of Agriculture	Financial Disclosure System for Department of Agriculture Employees Needs Strengthening, FPCD-77-17, 1/31/77.
The White House	Action Needed To Make the Executive Branch Financial Disclosure System Effective, FPCD-77-23, 2/28/77.
Office of the Comptroller of the Currency	Financial Disclosure Systems in Banking Regulatory Agencies, FPCD-77-29, 3/23/77.

PRINCIPAL OFFICIALS OF THE FEDERAL DEPOSIT INSURANCE CORPORATION

	Tenure of Office From	To
CHAIRMAN, BOARD OF DIRECTORS:		
Robert E. Barnett	Mar. 1976	Present
Frank Wille	Mar. 1970	Mar. 1976
DIRECTOR:		
George A. LeMaistre	Aug. 1976	Present
Vacant	Feb. 1973	Aug. 1976
Irvine H. Sprague	Sept. 1968	Feb. 1973
COMPTROLLER OF THE CURRENCY:		
Robert Bloom (acting)	Aug. 1976	Present
James E. Smith	July 1973	July 1976
Justin Watson (acting)	Mar. 1973	July 1973
William B. Camp	Nov. 1966	Mar. 1973